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ORIGINAL

INTERWEST
ENERGY ALLIANCE

BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COM
DOCKET CONTROL**IN THE MATTER OF RESOURCE
PLANNING AND PROCUREMENT IN
2015 AND 2016**

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INITIAL COMMENTS

The Interwest Energy Alliance (Interwest) is a non-profit trade association that represents the nation's leading companies in the renewable energy industry, bringing them together with the West's energy and conservation advocacy community to expand deployment of a reliable, cost-effective, and diverse portfolio of renewable energy resources. Interwest leads legislative, regulatory, and policy efforts to expand markets for renewable energy in Arizona and five other western states (Colorado, Nevada, New Mexico, Utah, and Wyoming).

Interwest appreciates the opportunity to comment on the Preliminary Integrated Resource Plans (IRPs) submitted by Arizona's regulated electric utilities. As a general statement, we encourage the Commission to consider the long-term goal of strengthening the Resource Planning & Procurement rules in order to make the IRP process more effective. For instance, the section dealing with 'Procurement' (R14-2-705) could be improved in order to take better advantage of competitive markets.

The Preliminary IRPs do an excellent job describing how utilities seek to manage future customer growth, regulatory uncertainty, market changes and evolving consumer demand. Interwest supports a number of strategies outlined in the Preliminary plans.

Key Areas of Agreement

- Need for flexible and diverse resources
- "Expanded Renewables" scenarios
- Participation in the California ISO Energy Imbalance Market
- Integrating advanced technologies into resource mix
- Strategy to be mindful of Clean Power Plan compliance in the event the Stay is lifted

Interwest also identified areas in the Preliminary IRPs that could be improved in order to benefit all Arizona ratepayers.

Opportunities for Improvement

- 1. Utility-scale renewable generation should comprise a greater share of the resource mix because of improved technology, efficiency of scale, falling prices, and low uncertainty.**

Interwest is encouraged that TEP anticipates an additional 1,100 MW of new utility renewable capacity will be in-service by the end of 2030 (p.85). However, APS appears to project minimal growth in utility-scale renewables as evidenced on the "Renewable Energy & Energy Storage" line of their chart on p. 13. Utility-scale renewables are increasingly competitive with conventional sources of generation and can offer excellent price stability as well as mitigate regulatory uncertainty. Arizona has a strong track record of successful wind and solar power plants. That experience can be used to continue renewable capacity buildout in a more cost-effective and efficient manner.

- 2. While natural gas generation should be part of the future resource mix, the Preliminary IRPs rely too heavily on natural gas.**

The Preliminary IRPs seem overly optimistic about natural gas prices as evidenced by TEP's projections on p. 82. Interwest recognizes the importance of natural gas generation, especially gas resources that can be ramped up and down quickly. While it is understandable that utilities want to take advantage of current low natural gas pricing, placing such a heavy emphasis on natural gas generation could make customers more vulnerable to potential shortages and/or price spikes. A greater balance between utility-scale renewables and natural gas generation could help reduce risk for ratepayers.

- 3. Competitive procurement should be utilized more frequently for new generation resources.**

While APS's "All Source RFP" is welcomed, and TEP's commitment to utilize the wholesale merchant market for capacity products is encouraging, competitive procurement appears to play a minimal role in the Preliminary IRPs. Competition and market benchmark pricing can help ensure lowest cost resources and mitigate cost overruns. As utilities look to fill their resource needs with new capacity, the decision to self-build, build-own-transfer or implement PPAs should be based on market pricing to ensure the lowest cost and reduce risk to ratepayers.


- 4. Customer choice and empowerment can achieve increased renewable development.**

Examples of large customers and/or residential communities seeking increased percentages of renewable energy from utility-scale projects are increasing. Incumbent utilities are not always

able to meet these demands through electric service agreements. Interwest encourages the Commission to develop a pilot program allowing large customers and residential communities to procure a percentage of their electricity from third-party renewable providers. Costs of transmission and distribution service should be incorporated into the program.

Thank you for the opportunity to submit these comments.

RESPECTFULLY SUBMITTED this 16th day of September, 2016.

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